Ditsobotla Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117of 1998) read with section Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The primary function of the municipality is to provide basic services i.e. water, electricity, sewerage, water and sanitaion to the Lichtenburg Jurisdiction.
Mayoral committee	
Executive Mayor	Hon. Cllr.D.T Buthelezi
Councillors	Cllr. Mmota ME (Speaker)
	Cllr. Modisane BM (Chief Whip)
	Cllr. Njakanjaka
	Cllr. Van Der Linde WG
	Cllr. Morutse MW
	Cllr. Matlholoa RB
	Cllr. Schnepel AR
	Cllr. Botswe MM
	Cllr. Motlhako K
	Cllr. Diale GS
	Cllr. M. Mmota
	Cllr. English MJ
	Cllr. Itlhopeng KL
	Cllr. Joe TJ
	Cllr. Matshane SA
	Cllr. Matshogo MP
	Cllr. Mofokeng MER
	Cllr. Mogatwe PM
	Cllr. Mokhuane TB
	Cllr. Mokoneng IJ
	Cllr. Mokoso MH
	Cllr. Molawa TE
	Cllr. Moloko VJ
	Cllr. Mongale LG
	Cllr. Moreo MP
	Cllr. Mtlhambe JL
	Cllr. Mvundisi TS
	Cllr. Nkashe IT
	Cllr. Setlhare OS
	Cllr. Sonakile T
	Cllr. Thebeyagae ML
	Cllr. Feurie JPG
	Cllr. Moheta BJ
	Cllr. Engelbrecht R
	Cllr. Melamu TK
	Cllr. Moeketsane SE
	Cllr. Seribe KM
	Cllr. Daemane KH
	Cllr. Gulube MM
Grading of local authority	Grade B

General Information

Chief Finance Officer (CFO)	Mr MJ Moipolai
Accounting Officer	Mr L Ralekgetho
Registered office	Civic Centre Cnr Nelson Mandela and Transvaal Street Lichtenburg North West 2740
Postal address	P.O. Box 7 Lichtenburg 2740
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 58, which have been prepared on the going concern basis, were approved by the on 30 November 2018 and were signed on its behalf by:

Accounting Officer
Designation

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Incorporation

2. Review of activities

Main business and operations

Ditsobotla Local Municipality is a low capacity local municiplaity and delivers basic services such as water, electricity and refuse removal services to the Litchenburg region. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Bankers

The municipality banks primarily with ABSA Bank.

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	8	1 509 338	1 821 869
Receivables from exchange transactions	9	1 026	1 026
Receivables from non-exchange transactions	10	11 060 586	7 016 043
VAT receivable	11	42 061 467	27 265 624
Consumer debtors	12	348 936 971	152 224 803
Cash and cash equivalents	13	43 168 235	66 650 284
		446 737 623	**254 979 649**
Non-Current Assets			
Investment property	3	104 569 063	104 569 063
Property, plant and equipment	4	869 673 552	879 683 999
Intangible assets	5	193 870	193 870
Heritage assets	6	506 794	506 794
		974 943 279	**984 953 726**
Total Assets		**1 421 680 902**	**1 239 933 375**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	493 488 099	430 293 416
Consumer deposits	18	2 839 593	3 553 098
Employee benefit obligation	7	-	1 336 000
Unspent conditional grants and receipts	15	3 324 740	3 323 290
Provisions	16	20 060 946	20 944 706
		519 713 378	**459 450 510**
Non-Current Liabilities			
Employee benefit obligation	7	17 820 000	16 484 000
Provisions	16	9 212 000	9 212 000
		27 032 000	**25 696 000**
Total Liabilities		**546 745 378**	**485 146 510**
Net Assets		**874 935 524**	**754 786 865**
Accumulated surplus	14	874 935 524	754 786 865

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	20	329 799 777	235 481 620
Rental of facilities and equipment	21	464 459	(3 531 713)
Interest received (trading)		41 415 396	29 641 200
Agency services		1 994 897	2 228 939
Licences and permits		189 920	374 892
Other income	23	(4 066 419)	5 772 829
Actuarial gains		-	3 227 000
Total revenue from exchange transactions		**369 798 030**	**273 194 767**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	56 084 797	49 089 879
Transfer revenue			
Government grants & subsidies	25	138 779 427	151 228 079
Fines, Penalties and Forfeits		144 839	203 385
Total revenue from non-exchange transactions		**195 009 063**	**200 521 343**
Total revenue	19	**564 807 093**	**473 716 110**
Expenditure			
Employee related costs	26	(175 802 066)	(168 253 411)
Remuneration of councillors	27	(11 712 265)	(11 630 005)
Depreciation and amortisation	28	(40 951 003)	(54 690 992)
Impairment loss/ Reversal of impairments	29	-	(8 852 806)
Finance costs	30	(30 521 036)	(22 386 476)
Bulk purchases	31	(82 341 359)	(114 710 529)
Contracted services	32	(1 586 366)	(2 119 513)
General Expenses	33	(101 744 342)	(89 567 620)
Total expenditure		**(444 658 437)**	**(472 211 352)**
Surplus for the year		**120 148 656**	**1 504 758**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**753 282 107**	**753 282 107**
Changes in net assets		
Surplus for the year	1 504 758	1 504 758
Total changes	1 504 758	1 504 758
Balance at 01 July 2017	**754 786 868**	**754 786 868**
Changes in net assets		
Surplus for the year	120 148 656	120 148 656
Total changes	120 148 656	120 148 656
Balance at 30 June 2018	**874 935 524**	**874 935 524**

Note(s)

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		-	240 326 567
Grants		-	151 228 079
Interest received		-	29 641 200
Other receipts		-	49 293 260
		-	470 489 106
Payments			
Employee costs		-	(179 883 416)
Suppliers		-	(185 155 074)
Finance costs		(30 521 036)	(22 386 476)
Other cash item	37	-	1 687 238
		(30 521 036)	(385 737 728)
Undefined difference compared to the cash generated from operations note		**37 979 541**	**-**
Net cash flows from operating activities	36	**7 458 505**	**84 751 378**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	-	(80 506 698)
Proceeds from sale of property, plant and equipment	4	-	1 626 746
Net cash flows from investing activities		**-**	**(108 521 152)**
Net increase/(decrease) in cash and cash equivalents		**7 458 505**	**(23 769 774)**
Cash and cash equivalents at the beginning of the year		66 650 284	64 032 349
Cash and cash equivalents at the end of the year	13	**74 108 789**	**40 262 575**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	233 000 000	-	**233 000 000**	329 799 777	**96 799 777**	
Rental of facilities and equipment	3 500 000	-	**3 500 000**	464 459	**(3 035 541)**	
Interest received (trading)	5 500 000	-	**5 500 000**	41 415 396	**35 915 396**	
Agency services	4 000 000	-	**4 000 000**	1 994 897	**(2 005 103)**	
Licences and permits	300 000	-	**300 000**	189 920	**(110 080)**	
Other income - (rollup)	2 000 000	-	**2 000 000**	(4 066 419)	**(6 066 419)**	
Total revenue from exchange transactions	**248 300 000**	**-**	**248 300 000**	**369 798 030**	**121 498 030**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 000 000	-	**55 000 000**	56 084 797	**1 084 797**	
Transfer revenue						
Government grants & subsidies	102 042 000	-	**102 042 000**	138 779 427	**36 737 427**	
Fines, Penalties and Forfeits	200 000	-	**200 000**	144 839	**(55 161)**	
Total revenue from non-exchange transactions	**157 242 000**	**-**	**157 242 000**	**195 009 063**	**37 767 063**	
Total revenue	**405 542 000**	**-**	**405 542 000**	**564 807 093**	**159 265 093**	
Expenditure						
Personnel	167 882 000	-	**167 882 000**	(175 802 066)	**(343 684 066)**	
Remuneration of councillors	14 700	-	**14 700**	(11 712 265)	**(11 726 965)**	
Depreciation and amortisation	31 764 000	-	**31 764 000**	(40 951 003)	**(72 715 003)**	
Finance costs	930 000	-	**930 000**	(30 521 036)	**(31 451 036)**	
Debt Impairment	20 500 000	-	**20 500 000**	-	**(20 500 000)**	
Bulk purchases	96 244 000	-	**96 244 000**	(82 341 359)	**(178 585 359)**	
Contracted Services	19 500 000	-	**19 500 000**	(1 586 366)	**(21 086 366)**	
Transfers and Subsidies	11 000 000	-	**11 000 000**	-	**(11 000 000)**	
Other materials	18 000 000	-	**18 000 000**	(101 744 342)	**(119 744 342)**	
Other (taken out of General expenses)	19 700 000	-	**19 700 000**	-	**(19 700 000)**	
Total expenditure	**385 534 700**	**-**	**385 534 700**	**(444 658 437)**	**(830 193 137)**	
Surplus before taxation	**791 076 700**	**-**	**791 076 700**	**120 148 656**	**(670 928 044)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**791 076 700**	**-**	**791 076 700**	**120 148 656**	**(670 928 044)**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	N/A	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	1 - 7 years
Furniture and fixtures	Straight line	1 - 7 years
Motor vehicles	Straight line	2 - 4 years
IT equipment	Straight line	1 - 4 years
Investment property	Straight line	30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.5 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	1 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

Accounting Policies

1.6 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

Accounting Policies

1.7 Financial instruments (continued)

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Investments	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Long-term liabilities	Financial liability measured at amortised cost
Payables from exchange and non-exchange transactions	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Tax

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating lease - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

1.10 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies

1.13 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.15 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.16 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.21 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	104 569 063	-	104 569 063	104 569 063	-	104 569 063

Reconciliation of investment property - 2018

	Opening balance	**Total**
Investment property	104 569 063	104 569 063

Reconciliation of investment property - 2017

	Opening balance	**Transfers**	**Total**
Investment property	111 717 524	(7 148 461)	104 569 063

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

3. Investment property (continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	462 175 001	(201 645 529)	260 529 472	458 222 868	(203 625 999)	254 596 869
Plant and machinery	79 333 306	-	79 333 306	55 552 685	-	55 552 685
Infrastructure	1 078 955 248	(553 952 625)	525 002 623	1 077 983 110	(513 256 817)	564 726 294
Other property, plant and equipment	22 196 896	(17 388 745)	4 808 151	22 196 896	(17 388 745)	4 808 151
Total	**1 642 660 451**	**(772 986 899)**	**869 673 552**	**1 613 955 559**	**(734 271 561)**	**879 683 999**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Difference	**Total**
Land	254 596 869	**5 932 603**	260 529 472
Work in progress (WIP)	55 552 685	**23 780 621**	79 333 306
Infrastructure	564 726 293	**(39 723 670)**	525 002 623
Other property, plant and equipment	4 808 151	**-**	4 808 151
	879 683 998	**(10 010 446)**	**869 673 552**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Difference	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	275 935 959	**(5 311 610)**	-	-	-	(13 964 309)	(2 063 171)	254 596 869
Work in progress (WIP)	21 724 422	**-**	57 167 481	-	(23 339 217)	-	-	55 552 686
Infrastructure	572 461 341	**8 844 491**	23 339 217	(1 626 746)	-	(38 292 010)	-	564 726 293
Other property, plant and equipment	4 708 608	**99 543**	-	-	-	-	-	4 808 151
	874 830 330	**3 632 424**	**80 506 698**	**(1 626 746)**	**(23 339 217)**	**(52 256 319)**	**(2 063 171)**	**879 683 999**

4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets 1	1 092 513	(898 643)	193 870	1 092 513	(898 643)	193 870

Reconciliation of intangible assets - 2018

	Opening balance	**Total**
Intangible assets 1	193 870	193 870

Reconciliation of intangible assets - 2017

	Opening balance	**Amortisation**	**Total**
Intangible assets 1	819 870	(626 000)	193 870

6. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	506 794	-	506 794	506 794	-	506 794

Reconciliation of heritage assets 2018

	Opening balance	**Total**
Historical monuments	506 794	506 794

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Historical monuments	506 794	506 794

Figures in Rand	2018	2017

7. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality provides certain post-retirement benefit health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member who is on the (Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Niel Fourie, Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

	2018	2017
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	-	(17 820 000)
Undefined Difference	**(17 820 000)**	**-**
	(17 820 000)	**(17 820 000)**
Non-current liabilities	(17 820 000)	(16 484 000)
Current liabilities	-	(1 336 000)
	(17 820 000)	**(17 820 000)**

Net expense recognised in the statement of financial performance

	2018	2017
Current service cost	-	323 000
Interest cost	-	2 041 000
Actuarial (gains) losses	-	(4 351 000)
Settlement	-	(1 240 000)
	-	**(3 227 000)**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	- %	7.75 %
Expected rate of return on assets	- %	5.25 %
Expected rate of return on reimbursement rights	- %	6.27 %
Actual return on reimbursement rights	- %	4.41 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Inventories

Consumable stores	1 438 295	1 750 826
Water	71 043	71 043
	1 509 338	**1 821 869**

9. Receivables from exchange transactions

Trade debtors	1 026	1 026

10. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	11 060 586	7 016 043

11. VAT receivable

VAT	42 061 467	27 265 624

12. Consumer debtors

Gross balances		
Rates	95 705 590	72 802 391
Electricity	124 416 488	50 066 821
Water	206 560 781	146 693 645
Sewerage	79 978 070	53 009 846
Refuse	48 460 988	35 837 046
	555 121 917	**358 409 749**

Less: Allowance for impairment		
Accumulated impairments	(206 184 946)	(206 184 946)

Net balance		
Rates	95 705 590	72 802 391
Electricity	124 416 488	50 066 821
Water	206 560 781	146 693 645
Sewerage	79 978 070	53 009 846
Refuse	48 460 988	35 837 046
Other (specify)	(206 184 946)	(206 184 946)
	348 936 971	**152 224 803**

Rates		
Current (0 -30 days)	-	4 059 660
31 - 60 days	-	2 234 101
61 - 90 days	-	27 291 658
91 - 120 days	-	1 662 578
121 - 365 days	-	1 603 814
> 365 days	-	35 950 580
Undefined Difference	**95 705 590**	**-**
	95 705 590	**72 802 391**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	-	15 696 577
31 - 60 days	-	2 017 164
61 - 90 days	-	2 278 678
91 - 120 days	-	1 109 651
121 - 365 days	-	1 460 259
> 365 days	-	27 504 492
Undefined Difference	**124 416 488**	**-**
	124 416 488	**50 066 821**

Water		
Current (0 -30 days)	-	23 306 685
31 - 60 days	-	5 416 009
61 - 90 days	-	3 454 631
91 - 120 days	-	2 143 916
121 - 365 days	-	2 283 177
> 365 days	-	110 089 227
Undefined Difference	**206 560 781**	**-**
	206 560 781	**146 693 645**

Sewerage		
Current (0 -30 days)	-	8 125 222
31 - 60 days	-	2 413 390
61 - 90 days	-	1 886 412
91 - 120 days	-	1 723 062
121 - 365 days	-	1 828 513
> 365 days	-	37 033 247
Undefined Difference	**79 978 070**	**-**
	79 978 070	**53 009 846**

Refuse		
Current (0 -30 days)	-	1 972 094
31 - 60 days	-	1 042 059
61 - 90 days	-	996 344
91 - 120 days	-	896 771
121 - 365 days	-	954 006
> 365 days	-	29 975 772
Undefined Difference	**48 460 988**	**-**
	48 460 988	**35 837 046**

Other (specify)		
Current (0 -30 days)	-	216 694
31 - 60 days	-	154 025
61 - 90 days	-	137 357
91 - 120 days	-	131 971
121 - 365 days	-	136 441
> 365 days	-	(206 961 434)
Undefined Difference	**(206 184 946)**	**-**
	(206 184 946)	**(206 184 946)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Consumer debtors (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	-	(194 862 915)
Contributions to allowance	-	(11 322 031)
Undefined Difference	**(206 184 946)**	**-**
	(206 184 946)	**(206 184 946)**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 084 084	1 421 865
Short-term deposits	1 933 505	837 513
Other cash and cash equivalents	40 150 646	64 390 906
	43 168 235	**66 650 284**

14. Accumulated surplus

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Library grant	1 086 289	1 084 839
MIG grant	1 966 018	1 966 018
Financial Management Grant	272 433	272 433
	3 324 740	**3 323 290**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Total
Environmental rehabilitation	20 944 706	(883 760)	20 060 946
Legal proceedings	9 212 000	-	9 212 000
	30 156 706	**(883 760)**	**29 272 946**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	20 060 946	883 760	-	20 944 706
Long service awards	8 573 000	1 525 000	(886 000)	9 212 000
	28 633 946	**2 408 760**	**(886 000)**	**30 156 706**

	2018	2017
Non-current liabilities	9 212 000	9 212 000
Current liabilities	20 060 946	20 944 706
	29 272 946	**30 156 706**

Environmental rehabilitation provision

In terms of the licencingof the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R19 272 926 to restore the site at the end of its useful life, estimated to be between 2015 to 2022 for Lichtenburg Townlands landfill site. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuariall valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2017 by Mr N Fourie, Fellow of the Acturial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Project Unit Credit Method.

The principal assumptions used for the purposes of the acturial valuations were as follows for the year ended 30 June 2017:
Discount rate - 8.68%
General salary inflation - 7.28%
Net discount rate - 1.26%

The basis on which discount rate has been determined is as follow:
GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yieds. However, where the market in these bonds is noit significant, the market yields on government bonds consistent with the estimated term of the postemployment liabilitiues should be used.

The principal assumptions used for the purposes of the actuarial valuations

	2018	2017
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
	126	**126**

Movement in the present value of the Defined Benefit Obligation were as

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions (continued)

Balance at the beginning of the year		8 573 000
Current service cost		898 000
Interest costs		830 000
Benfits paid		(886 000)
Actuarial losses / (gains)		(203 000)
		9,212,000

The amount recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations		9 212 000

The amount reognised in the Staement of Financial Performance are as follows:

Current service cost		898 000
Interest cost		830 000
Actuarial losses / (gains)		(203 000)
Total Benefit included in Employee		**1 525 000**

17. Payables from exchange transactions

Trade payables	393 782 762	326 454 291
Other payables 1	9 599 345	20 429 028
Accrued leave pay	18 082 164	13 167 013
Accrued bonus	5 676 401	5 676 401
Deposits received	63 938 137	59 443 118
Other payables	2 409 290	2 343 547
Other creditors #1	-	2 780 018
	493 488 099	**430 293 416**

18. Consumer deposits

Services	2 839 593	3 553 098

19. Revenue

Service charges	329 799 777	235 481 621
Rental of facilities and equipment	464 459	(3 531 713)
Interest received (trading)	41 415 396	29 641 201
Agency services	1 994 897	2 228 939
Licences and permits	189 920	374 892
Other income - (rollup)	(4 066 419)	5 772 831
Property rates	56 084 797	49 089 879
Government grants & subsidies	138 779 427	151 228 080
Fines, Penalties and Forfeits	144 839	203 385
	564 807 093	**470 489 115**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	329 799 777	235 481 621
Rental of facilities and equipment	464 459	(3 531 713)
Interest received (trading)	41 415 396	29 641 201
Agency services	1 994 897	2 228 939
Licences and permits	189 920	374 892
Other income - (rollup)	(4 066 419)	5 772 831
	369 798 030	**269 967 771**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	56 084 797	49 089 879
Transfer revenue		
Government grants & subsidies	138 779 427	151 228 080
Fines, Penalties and Forfeits	144 839	203 385
	195 009 063	**200 521 344**

20. Service charges

Sale of electricity	216 263 467	124 725 862
Sale of water	64 799 674	61 231 442
Sewerage and sanitation charges	33 945 015	34 407 419
Refuse removal	14 791 621	15 116 897
	329 799 777	**235 481 620**

21. Rental of facilities and equipment

Premises		
Housing	-	(3 592 482)
Community hall	45 586	58 523
	45 586	**(3 533 959)**
Facilities and equipment		
Rental of facilities	418 873	2 246
	464 459	**(3 531 713)**

22. Other revenue

Other income - (rollup)	(4 066 419)	5 772 831

23. Other income

Other income 1	(4 066 419)	5 772 831

24. Property rates

Rates received

Residential	36 304 058	34 581 915
Commercial	25 694 033	20 207 493
State	6 097 404	3 120 058
Less: Income forgone	(12 010 698)	(8 819 587)
	56 084 797	**49 089 879**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies

	2018	2017
Operating grants		
Equitable share	97 931 627	89 929 662
Capital grants		
MIG grant	19 133 000	52 908 982
FMG grant	2 100 000	1 537 567
MSIG grant	361 800	444 987
LG SETA grant	-	368 882
EPWP grant	1 208 000	1 038 000
INEP grant	18 045 000	5 000 000
	40 847 800	**61 298 418**
	138 779 427	**151 228 080**

EPWP

	2018	2017
Current-year receipts	1 208 000	-
Conditions met - transferred to revenue	(1 918 924)	-
Undefined Difference	**710 924**	**-**
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Library grant

	2018	2017
Balance unspent at beginning of year	1 084 839	303 721
Current-year receipts	1 450	1 150 000
Conditions met - transferred to revenue	-	(368 882)
	1 086 289	**1 084 839**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

MIG

	2018	2017
Balance unspent at beginning of year	1 966 018	-
Current-year receipts	19 133 000	54 875 000
Conditions met - transferred to revenue	(19 133 000)	(52 908 982)
	1 966 018	**1 966 018**

Conditions still to be met - remain liabilities (see note 15).

The MIG expenditure for 2017/18 includes R16.6 relating to Projects that were on the implementation plan. The remaining R2.4m will be rolled over to 2018/19 subject to approval by Treasury..

Financial Management Grant

	2018	2017
Balance unspent at beginning of year	272 433	-
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 537 567)
	272 433	**272 433**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15.

INEP Grant

Current-year receipts	18 000 000	-
Conditions met - transferred to revenue	(5 681 586)	-
Undefined Difference	**(12 318 414)**	**-**
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs

Basic	102 842 884	101 745 134
Bonus	8 117 766	6 627 525
Medical aid - company contributions	8 076 624	7 567 946
UIF	958 339	978 152
SDL	1 962 640	1 926 154
Other payroll levies	20 314 578	19 140 532
Travel, motor car, accommodation, subsistence and other allowances	13 782 875	13 075 986
Overtime payments	17 264 618	14 104 253
Long-service awards	2 481 742	3 087 729
	175 802 066	**168 253 411**

Remuneration of Municipal Manager: TG Ramagaga

Annual Remuneration	294 095	410 127

Municipal manager was appointed from 1st June to 30 September 2017

Remuneration of Chief Financial Officer: LJ Dintwe

Annual Remuneration	719 377	1 199 017
Car Allowance	221 708	-
Contributions to UIF, Medical and Pension Funds	-	167 260
	941 085	**1 366 277**

Chief Financial Officer was appointed and started on 1st June 2017 to January 31st 2018

Remuneration of Acting Municipal Manager: TF Mopeloa

Annual Remuneration	473 399	-

Acting Municipal Manager was appointed and started on 1st February to May 31st 2018

Remuneration of Acting Municpal Manager: MJ Moipolai

Annual Remuneration	386 980	-

Acting Municipal Manager was appointed and started on 1st June to June 30th 2018

Remuneration of Corporate Services Director: AST Nxumalo

Annual Remuneration	86 505	1 118 104
Contributions to UIF, Medical and Pension Funds	-	196 626
Selling of Long Service	199 304	-
	285 809	**1 314 730**

27. Remuneration of councillors

Executive Major	706 964	765 932
Councillors	11 005 301	10 864 072
	11 712 265	**11 630 004**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Depreciation and amortisation

Property, plant and equipment	40 951 003	54 690 992

29. Impairment of assets

Impairments		
Investment property	-	8 852 806
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

30. Finance costs

Owners	30 521 036	22 386 476

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2017: R -).

31. Bulk purchases

Electricity	78 306 652	110 809 065
Water	4 034 707	3 901 464
	82 341 359	**114 710 529**

32. Contracted services

Other Contractors	1 586 366	2 119 513

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. General expenses

Advertising	926 580	1 142 270
Auditors remuneration	1 058 221	8 654 188
Bank charges	445 822	(333)
Consulting and professional fees	18 143 900	20 088 988
Consumables	199 650	674 377
Insurance	2 173 652	1 439 094
Medical expenses	-	19 188
Packaging	-	1 767 522
Fuel and oil	3 265 283	3 349 474
Postage and courier	1 637 408	1 891 319
Protective clothing	658 781	239 830
Repairs and maintenance	18 905 456	8 354 802
Security (Guarding of municipal property)	8 082 411	8 116 744
Subscriptions and membership fees	8 719	21 637
Telephone and fax	179 912	1 787
Training	-	54 967
Travel - local	450 004	258 931
Refuse	88 785	416 964
Expense 3	2 339 435	1 828 963
Expense 8	6 608 251	6 800 343
Expense 10	2 916 620	2 653 711
Chemicals	110 251	44 428
Hostel charges	608 737	16 176 954
Other expenses	32 936 464	5 571 480
	101 744 342	**89 567 628**

34. Fair value adjustments

35. Auditors' remuneration

Fees	1 058 221	8 654 188

36. Cash generated from operations

Surplus	120 148 656	26 508 531
Adjustments for:		
Depreciation and amortisation	40 951 003	52 253 319
Movements in retirement benefit assets and liabilities	-	(3 227 000)
Movements in provisions	(883 760)	1 552 760
Other non-cash items	-	1 687 238
Transfers	-	30 487 678
Amortisation	-	626 000
Changes in working capital:		
Inventories	312 531	85 894
Consumer debtors	(196 712 168)	(112 847 210)
Other receivables from non-exchange transactions	(4 044 543)	-
Payables from exchange transactions	63 194 684	102 814 912
VAT	(14 795 843)	(18 167 306)
Unspent conditional grants and receipts	1 450	3 019 569
Consumer deposits	(713 505)	(43 007)
	7 458 505	**84 751 378**

37. Other cash item 1

38. Financial instruments disclosure

Categories of financial instruments

38. Financial instruments disclosure (continued)

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 026	1 026
Other receivables from non-exchange transactions	11 060 586	11 060 586
Consumer debtors	348 962 531	348 962 531
Cash and cash equivalents	5 205 464	5 205 464
	365 229 607	**365 229 607**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	430 293 417	430 293 417

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 026	1 026
Other receivables from non-exchange transactions	-	7 016 043	7 016 043
Consumer debtors	-	152 224 803	152 224 803
Cash and cash equivalents	66 650 284	-	66 650 284
	66 650 284	**159 241 872**	**225 892 156**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	430 293 417	430 293 417

39. Commitments

Authorised capital expenditure

	2018	2017
Already contracted for but not provided for		
• Property, plant and equipment	-	16 384 328
Total capital commitments		
Already contracted for but not provided for	-	16 384 328

Total commitments

	2018	2017
Total commitments		
Authorised capital expenditure	-	16 384 328

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, MIG allocations during the year and funds internally generated.

Figures in Rand	2018	2017

40. Contingencies

The municipality has the following contingent liabilities and contingent assets:

Sixbar Trading 649// Ditsobotla LM (June 2013)

The Plaintiff was appointed on risk to do Credit Control on behalf of Council. He terminated his services due to lack of cooperation from our staff. He claims the amount for collection services on the 30-120 day and more Debtors Book from the Defendant. The claim amount is R3 080 537.

Errorneous Payment (November 2011

The municipality has instituted legal action for payments made to previous employees and councillors amounting to R167 226)

Malebilo Trading Cc//Ditsobotla LM. (June 2011

Contract was terminated for web design, development and maintanance amounting to R60 000

Balemi Civils//Ditsobotla LM. (July 2012)

Termination of contract due to non-perfomance. The matter was handled by Edward Nathan Sonneberg Attorneys and due to their high fees the Administrator Mr. Dikoko directed that it be dealt with locally. The claim amount is R3 800 000.

TlotloTlhago Plant Hire//Ditsobotla LM (October 2012) 10 Dec 2010

The Plaintiff tendered for the upgrading of the Itsoseng Internal Roads & Stormwater system. The claim amount is R2 565 486

Ditsobotla Local Municipality//Annemie Goncalves (July 2013)

Appointed to sell Electricity to Municipality. The municipality has instituted a claim against Annemie Goncalves to the amount of R2 163 124.

40. Contingencies (continued)

EL Masigo (January 2014)

Struck by spike at the park Cases No. DI242. The claim amount is R2 100 000

Tshikaleti T7691 Consulting Cc(Feb 2009)

Payment for Service rendered on meter readings: DI0196. The claim amount is R15 600 000.

Phakisa Civils (Edms) Bpk (June 2007)

DL0066. The claim amount is R189 668.

Willem Smit//Ditsobotla LM (Jan 2014)

Plaintiff's car damaged by pothole on the 31st August 2011 on Deelpan Road. The claim amount is R62 390.

Brawell Construction//Ditsobotla Local Municipality (2001)

Termination of contract for non perfomance in RDP construction project. The claim amount is R435 560.

Abravo//Ditsobotla Local Municipality (February 2014)

Failure to pay services rendered. The claim amount is R1 500 000.

**Mabasa Construction//Ditsobotla Local Municipality
2015**

Challenging the termination of Contract R7 000 000.

Mosimanegape Matlapa//DLM (June 2014)

Damages Claim. The claim amount is R500 000.

G.L Pretorius//Ditsobotla Local Municipality (1998) Water Supply in Coligny.

They claim for supplying water without proper readings. The claim amount is is R593 000)

Quill and Associates//Ditsobotla Local Municipality

Failure to pay for services rendered to the Municipality. The claim amount is R10 260 000.

Francious B arend Van Der Merwe//Distobotla Local Municipality

Failure to maintain roads that led to an accident. The claim amount is R2 200 000

Lucas Fouche'//Ditsobotla Local Municipality

Failure to maintain roads that led to damage of vehicle. The claim amount R190 000. Combined summons between MokganediMorwe//Ditsobotla Local Municipality (April 2015) Failure to provide electricity contrary to the contract sale of land. The claim amount R550 00.

Bula Mosebetsi//Ditsobotla Local Municipality (April 2017)

Failure to pay for services rendered and claims on loss of income (Onsite Billing and credit control) R27 000 000.

Zandile Management Services//Ditsobotla Local Municipality (May 2017)
Failure to pay for services rendered and claims on loss of income (Debt Collections) R44 000 000.

Western Transvaal Security Services//Ditsobotla Local Municipality (2016/2017)

Figures in Rand	2018	2017

40. Contingencies (continued)

Failure to pay from services rendered (Security Services) R1 500 000.

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note

The Municipality has various processes in place to identify and note any related party transactions with regards to this matter. The range from this disclosure by bidders on bid documents (MB4) to maintenance of a conflict of interest register. For Councillors, this is kept in the Office of the Speaker whilst for the other Senior Managers it is kept by the Corporate Services.

Related party transactions

	2018	2017
Equitable Share	97 931 626	89 929 661
Municipal Infrastructure Grant (MIG)	19 133 000	52 908 982
Financial Management Grant (FMG)	-	1 537 567
LG SETA grant	361 800	444 987
Library Grant	-	368 882
EPWP Grant	1 208 000	1 038 000
INEP Grant	20 145 000	5 000 000
Remuneration of councillors		
Executive mayor	706 964	570 871
Councillors	11 005 301	8 679 463

The compensation of key management personnel is set out in 25 to Annual Financial Statements.

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

1. Consumer debtors & Service charges
There was a decrease in consumers debtors due to correction of various consumer accounts billed incorrectly.

2. Unauthorised expenditure
There was an adjustment made to the unauthorised expenditure amounting to R167 765 702. The unauthorised expenditure incurred is still under investigation.

3. Irregular expenditure
Management has reviewed all transctions from 2011/12 financial year that relates to transactions where a procurement process should have been under taken. Procurement contracts, originating from the prior year, which was classified as iregular, resulted in the increase of irregular expenditure in the current year as these payments will be deemed irregular for the entire contract period until the contract is approved as not irregular or write-off. The irregular expenditure relating to 2015/16 was adjusted with an amount of R61 665057.

Statement of financial position

2016

	Note	As previously reported	Correction of error	Restated
Consumer debtors		42 941 453	(1 871 562)	41 069 891

2017

Statement of financial performance

Figures in Rand	2018	2017

43. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

44. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 874 935 524 and that the municipality's total liabilities exceed its assets by R 874 935 524.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

45. Events after the reporting date

Management is not aware if any events that happened after the reporting date that requires disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Unauthorised expenditure

Unauthorised expenditure	255 408 303	255 408 303

The unauthorised expenditure incurred is still under investigation.

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	50 959 266	22 412 351
Add: Fruitless and wasteful expenditure - current year	19 210 985	28 546 915
	70 170 251	**50 959 266**

The Fruitless and wasteful expenditure incurred is still under investigation.

48. Irregular expenditure

Opening balance	80 301 548	65 992 434
Add: Irregular Expenditure - current year	8 476 149	14 309 114
	88 777 697	**80 301 548**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Competitive bidding process not followed	Cases for 2017/18 have not yet been investigated. No disciplinary actions have been taken against any official	8 476 149

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 974 791	2 974 791
Current year subscription / fee	106 305	1 049 626
Amount paid - current year	97 842	(1 049 626)
	3 178 938	**2 974 791**

Audit fees

Opening balance	14 243 848	11 518 223
Current year subscription / fee	-	5 120 821
Amount paid - current year	-	(2 395 196)
	14 243 848	**14 243 848**

PAYE and UIF

Opening balance	9 419 316	1 210 391
Current year subscription / fee	23 296 635	22 096 519
Amount paid - current year	5 378 916	(13 887 594)
	38 094 867	**9 419 316**

Pension and Medical Aid Deductions

Opening balance	2 032 766	2 032 766
Current year subscription / fee	40 867 592	39 245 501
Amount paid - current year	(37 619 140)	(39 245 501)
	5 281 218	**2 032 766**

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A Mokhuane	-	50	50
Cllr WG Van Der Linde	2 298	-	2 298
Cllr TD&L Buthelezi	200	-	200
Cllr NM Nokoyo	10 155	34 867	45 022
Cllr JM Diale	815	12 176	12 991
Cllr TE Njakanjaka	695	30 824	31 519
Cllr GI Mongale	627	10 613	11 240
Cllr IJ Mokoneng	2 061	35 054	37 115
Cllr M Ntabeni	425	22 048	22 473
Cllr KS Itlhopeng	885	21 272	22 157
Cllr MZ Matshane	679	17 486	18 165
Cllr KE Thebeyagae	603	15 587	16 190
Cllr D Seribe	1 528	1 409	2 937
Cllr C Mofokeng	924	28 645	29 569
Cllr IG Maduo	278	7 167	7 445
Cllr E Matlholwa	631	32 006	32 637
Cllr S Modisane	1 625	41 125	42 750
Cllr S Mebuo	941	18 168	19 109
Cllr BP Melamu	1 110	10 779	11 889
Cllr J Fourie	3 516	-	3 516
Cllr FC Engelbrecht	2 210	-	2 210
Cllr M English	348	762	1 110
Cllr ME Mvundisi	2 823	12 015	14 838
Ditsobotla Plaaslike Munisipaliteit	1 109	9 096	10 205
Ditsobotla Plaaslike Munisipaliteit	1 209	9 726	10 935
Cllr GN Masigo	4 401	26 807	31 208
	42 096	**397 682**	**439 778**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr WG Van Der Linder	5 720	860	6 580
Cllr NM Nokoyo	3 754	12 707	16 461
Cllr JM Diale	674	9 132	9 806
Cllr TE Njakanyaka	605	26 862	27 467
Cllr GI Mongale	366	8 168	8 534
Cllr IJ Mokoneng	1 477	26 759	28 236
Cllr M Ntabeni	916	19 002	19 918
Cllr KS Itlhopeng	763	18 500	19 263
Cllr Matshane	642	14 840	15 482
Cllr KE Thebeyagae	566	13 244	13 810
Cllr C Mofokeng	848	25 050	25 898
Cllr IG Maduo	1 078	3 101	4 179
Cllr E Matlholwa	1 266	27 990	29 256
Cllr MW Morutse	671	11 764	12 435
Cllr S Modisane	1 438	34 880	36 318
Cllr S Mebuo	853	14 560	15 413
Cllr BP Melamu	1 073	9 457	10 530
	22 710	**276 876**	**299 586**

Figures in Rand	2018	2017

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

50. Distribution losses

The following distribution losses were incurred during the financial year:

Water:

2018: R33 188.4 - 0.05% (Kilolitres - 3512)

Electricity:

2018: R14 014 562.62 - 26% (kWh))

51. Budget differences

Material differences between budget and actual amounts

The reasons for the material differences are as follows:

V.1 - The variance is due to the debt incentive scheme as well as the use of the estimates for the part of the year. V.2 - The collection has remained consistent with prior year, there was an error is the recognition.
V.3 - The cash book was not previously kept upated on regular basis and the budget was not based on actual estimates. V.4 - The municipality projected a downward movement, however certain improvements were registered subsequently.
V.5 - Due to shortage of staff the municipality was unable to reach our targets hence the downward movement
V.6 - Improved controls regarding the sale of tender documents and improved record keeping regarding the interest earned from call accounts also contribute to the movement
V.7 - The variance was caused due to indigent write offs
V.8 - The variance was caused due to the withholding off equitable share. V.9 - The variance is due to late payments of creditors.
V.10 - The variance is due to the appointments of 107 general workers and excessive overtime claimed by personnel
V.11 - The councillors' upper limits were approved over the required threshold
V12 - This was not included as a budgeted item in the budget.
V13 - The debt impairment estimated was under-estimated, as the figure shown here is only for indigent debt which is not consistent with our debt impairment methodology
V14 - Finanace costs only included bank charges and need to be revised to satisfy the definition of finance costs as per GRAP guideline
V15 - This was not included as a budgeted item in the budget.
V16 - The difference is due to invoices from Sedibeng Water, which were not included in the bulk purchases year actuals. V18 - This was not included as budgeted item in the budget.
V19 - This was not included as a budgeted item in the budget. V.20 - This was not included as a budgeted item in the budget.